Office of Thrift Supervision
Financial Reporting Division

September 2002

Financial Reporting Bulletin

It is important that you read this bulletin and the attached materials before submitting your Thrift Financial Report.

TFR Deadline — Wednesday, October 30

HC and CMR Deadline — Thursday, November 14

IN THIS ISSUE

The Financial Reporting Division of the Office of Thrift Supervision publishes the Financial Reporting Bulletin quarterly and distributes it to all OTS regulated institutions. The bulletin's purpose is to provide the Thrift Financial Report preparer with reporting information and guidelines. Please send comments and suggestions on this bulletin to Patrick G. Berbakos, Director, National Systems, Information Systems, Administration & Finance, Office of Thrift Supervision, 1700 G Street, NW, Washington, DC 20552 or by e-mail to patrick.berbakos@ots.treas.gov.

NEW ELECTRONIC FILING SOFTWARE

OTS will mail Electronic Filing Software (EFS) Version 3.7 to all institutions on September 20, 2002. Please install this new version and connect to the OTS network **as soon as you receive it** (*Transmit >Receive Acknowledgments and Notices>Next>Transmit Now)* to ensure a successful connection and to obtain any late-breaking news on reporting issues and/or available EFS software upgrades. Prior to connecting to the OTS Network, you should **always** verify your ***Institution Information*** and ***Transmission Configurations.*** Select *Institution Setup* from the main menu and update any missing or incorrect information. Enter the **address of the person who prepares the financial reports.** This address is used to mail reporting instructions, bulletins, and software.

If you have not received EFS Version 3.7 by October 7, contact Doris Jackson by email at doris.jackson@ots.treas.gov or by phone at 972-277-9618.

This release contains various enhancements that address most of the issues that you reported to our support team.

Enhancements in Version 3.7

- The software now remembers where your financial data was installed during your prior EFS installation. It will use the same EFS financial data folder unless you specify otherwise.
- The software will no longer overwrite your dial-out number (i.e. 9, 8 etc.) in front of the phone number during installation. You will no longer have to re-enter this number in the *Transmit–Transmission Configurations* screen before connecting to OTS.
- Installation information is now available in the *Help–About Electronic Filing System* menu option. It can tell you where your financial data is installed and where your application folder is located. It also can tell you the version information of your system database and your system files. This is a useful diagnostic tool, particularly for thrifts that are installing to a network.
- As further discussed below, there is a popup module to prompt you for senior official emergency contact information. You will continue to receive this popup screen each time you initialize the EFS until the information is completed. You can update this information as needed in subsequent reporting cycles through the *System – Thrift Emergency Contact Information* menu option.
- There is now an option to print out your *Report Preparer Notes*.
- We request that each quarter you connect to our network prior to entering your reports. We may provide special bulletins and software updates via download that will assist you in preparing your report. We now provide a one-time, pop-up reminder for you to connect to our network each month.
- For thrifts operating EFS on computers with smaller displays, we have moved the *Go To Edit Viewer* button a little higher on the screen to make it more visible.
- The BOS module will automatically scroll down to the next branch after you save branch information.

Corrections of Bugs in Version 3.7

- In low performance machines, database updates sometimes fail because the machine cannot keep up with the instructions from the software. In rare instances, the software would leave the financial database unable to save data, giving the user a *Failure to update edit check statuses* message. The user was then required to send us the financial database for repair. We recommend that you upgrade your computer if you experience these performance problems; however, until you are able to upgrade, we have modified the application so that these data corruptions should no longer occur.

- We are still researching the reason behind the bug that caused the EFSUpgradeMgr.dll to fail to install properly in the last release. In many instances it chose to install as an old DOS-based filename of EFSUpg~1.dll. This file is essential to the application to ensure that the EFS financial database has all necessary table structures to operate under Version 3.7. Instructions on how to resolve this issue are now automatically displayed.
- A bug that triggered amendment status following the transmission of an original Cost of Funds filing has now been fixed.
- Edit B005 in BOS is bypassed if a thrift only reports one branch office.

Edit Step Changes/Additions

- We have modified the edits that validate the annualized interest in Schedule FS. These edits will only apply if you have reported data in Schedule FS. We have also broadened the range of acceptable annualized interest rates.
- We have added edits to check for significant increases or decreases in the following TFR lines: FS20, FS21, FS280, CC455 and SI390. These edit checks indicate large changes that you should verify and document with a User Note.

Emergency Contact Information

Beginning in September we will collect emergency contact information for all thrift institutions. This emergency contact should be a senior official (i.e. CEO, CFO) with decision-making authority to assist OTS in disseminating critical time-sensitive information in the event of an emergency. You will be prompted for this information the next time you dial into the OTS network. You can update this information as needed in subsequent reporting cycles through the *System – Thrift Emergency Contact Information* menu option. It is very important that you keep your emergency contact information up to date.

THIRD QUARTER DEADLINES

You should complete and transmit your September 2002 TFR as soon as possible after the close of the quarter. All schedules except HC and CMR are due no later than **Wednesday, October 30, 2002**. Schedules HC and CMR are due no later than **Thursday, November 14, 2002**.

Savings institutions that are exempt from filing Schedule CMR but choose to voluntarily file **must** follow the same filing deadlines as those institutions that are required to file. **OTS will not be able to provide interest rate risk reports to institutions that fail to meet the filing deadline.** We advise all voluntary filers to contact Doris Jackson (972-277-9618 or doris.jackson @ots.treas.gov) two days after transmitting their CMR to confirm that we received your CMR filing.

If you have any questions concerning the preparation of your report, please call your Financial Reporting Division contact in Dallas, Texas. You can find the current list of FRD contacts on the back page of this bulletin. If you have a problem with the electronic filing software or transmission, call Cheyann Houts at 972-277-9617 or Doris Jackson at 972-277-9618. You may email reporting problems to tfr.instructions@ots.treas.gov.

SEPTEMBER 2002 TFR INSTRUCTION MANUAL UPDATES

Attached to this bulletin are 22 updated pages to the TFR Instruction Manual plus pages 909 through 912 and 1301 through 1304, which were misnumbered in the June updates. The updated pages are dated September 2002. All changes are identified by a bar in the right margin. The changes are as follows:

General Instructions, Page 104: Clarified the procedure to follow if you lose your exemption from filing Schedule CMR.

Schedule SC, SC783, Escrows, Page 231: Clarified that escrows held by your unconsolidated affiliates where you are not a party to the escrow agreement should be reported as deposits and not as escrows.

Schedule SC, Borrowings, Page 232: Corrected a reference for the reporting of deferred discounts and premiums and clarified that issuance costs related to borrowings should be reported in SC690, Other Assets.

Schedule CCR, General Instructions, Page 1502: Corrected the definition of nonincludable subsidiaries.

Schedule CCR, Pages 1515, 1522, 1523, 1526, 1527: Updated the instructions to reflect the miscellaneous capital rule effective July 1, 2002, raising the loan-to-value upper threshold from 80% to 90% for single-family loans qualifying for 50% risk weighting.

Schedule CCR, CCR370, Equity Investments and Other Assets Required to be Deducted, Page 1515: Clarified the wording of real estate required to be deducted.

Schedule CCR, Page 1518, General Instructions for Risk Weighting: Clarified that accrued interest is risk weighted along with the related asset.

Schedule CCR, Pages 1519, 1520, 1521, 1527: Clarified the instructions for risk weighting Ginnie Mae, Fannie Mae, and Freddie Mac mortgage backed securities.

Schedule CMR, CMR764, CMR767, CMR770, Page 1652: Added the definition of new accounts.

SOFTWARE CORNER

Check Your Transmission Log

Please review the *Transmission Log* that automatically appears after every successful transmission to ensure that your transmission was sent.

To view the *Transmission Log* without connecting to the network: from the blue startup screen, click on *System, Financial Data, View Transmission Log*, then double-click on *Successful Report Transmissions*.

If you don't get the Transmission Log screen or if you don't see the transmission you just attempted, you should contact Doris Jackson at 972-277-9618 or Cheyann Houts at 972-277-9617 for further assistance.

What to Do First if You Have a Report Preparation or Transmission Problem

When you encounter an edit check you think may not be working properly or a transmission problem, log into the OTS Network to see if there is late-breaking information to assist you. To do this, from the blue startup screen, click on *Transmit*, with only *Receive Acknowledgments/Notices* checked. Click on *Next*, then *Transmit Now*.

From the *Transmission Log*, select *Messages Received from the OTS* and *Bulletins Received from the OTS* to view the most current downloads or other information available from OTS. This may provide the answer to your problem.

If the problem is with an edit check that appears not to be working properly that is not addressed in a bulletin or corrected through a software download, you may either:

- Contact your FRD analyst in Dallas who will help you determine the cause of the edit failure.
- Complete a User Note explaining that the edit appears not to be working properly.

You should also view the Troubleshooting Guide from either:

- The Help Guide from the blue screen, click on *Help*, *EFS HelpGuide*
- The Transmit option, Step 5 of 5 screen (click on the question mark)

If you still need assistance, call Doris Jackson at 972-277-9618 or Cheyann Houts at 972-277-9617.

Questions & Answers

We post TFR Questions and Answers on the OTS web site at www.ots.treas.gov/tfrqanda.html. If you have a question that you would like posted, please submit it to tfr.instructions@ots.treas.gov.

Q&A No. 177

SUBJECT: CHECKING ACCOUNT SWEEPS
LINE(S): SC730
DATE: September 5, 2002

Question: *We offer a sweep account for commercial checking accounts. The entire amount of the account is swept into a repo with a higher rate at night. The customer is informed that the entire amount is not insured. Should this amount be reported on SC730?*

Answer: If the sweep occurs before close of business, the customer's funds that are removed from the deposit account are not insured and should be reported on SC730. If the sweep occurs after close of business, all of the customer's funds remain in deposits.

Q&A No. 178

SUBJECT: SUSPECTED TERRORIST DEPOSITS
LINE(S): SC710, Deposits
DATE: September 5, 2002

Question: *Do financial institutions continue to report deposits that belong to a suspected terrorist and have been seized by the financial institution on SC710?*

Answer: As long as there is no reason to believe that the institution itself will ultimately be the owner of the funds, they would continue to report the deposits on SC710 of the TFR.

Q&A No. 179

SUBJECT: LOANS PAST MATURITY
LINE(S): Schedule PD
DATE: September 5, 2002

Question: *We have a portfolio of construction loans that require interest-only payments due monthly with the principal due at maturity. Some of these loans are past their maturity date. The borrowers have continued to pay the contractual monthly interest payments. Should these loans be excluded from Schedule PD?*

Answer: If management has restructured or extended a loan - formally or informally, then the loan would **not** be past due. An informal extension (not the same as a restructuring) is when the bank has agreed to accept interest payments until the property is rented or sold. The extension should be for a limited and reasonable length of time and the bank should get the extension in writing. From the borrower's perspective, if he is doing what the bank has told him, the loan is not in default and does not have to be reported in Schedule PD.

Q&A No. 180

SUBJECT: LTV CALCULATION – CREDIT LIFE INSURANCE
LINE(S): Schedule LD
DATE: September 5, 2002

Question: *When calculating high loan-to-value on a junior lien that has credit life or accident insurance, should I include the premium of the policy in the loan principal amount?*

Answer: Yes. The life insurance is part of the recorded investment in the loan and should be included in calculating LTV.

Q&A No. 181

SUBJECT: LOAN COMMITMENTS
LINE(S): Schedule CC
DATE: September 5, 2002

Question: *We have some confusion regarding whether the balance reported as commitments should contain the total loan commitments made to customers as of the reporting date, or if the balance should be reduced by an estimated "fall out" percentage of the loan commitments.*

For example, if we have $20 million in outstanding loan commitments and we project a fall out balance of $5 million, should we report the total $20 million, or should we report $15 million on line CC280?

Answer: You should report the entire $20 million on CC280 because that is your commitment. The $15 million is a projection.

Q&A No. 182

SUBJECT: RETIREMENT ACCOUNTS
LINE(S): SI210, IRA/Keogh Accounts
DATE: September 5, 2002

Question: *Should SEP and SIM accounts should be included in Line SI210, IRA & KEOGH Deposits?*

Answer: Yes, you should include SEP and SIM accounts in SI210. The only retirement accounts we would not want included are 401K accounts and similar plans.

Q&A No. 183

SUBJECT: LOANS TO EXECUTIVE OFFICERS
LINE(S): SI900 – SI930
DATE: September 5, 2002

Question: *If a loan is originated to an executive officer and sold 100% without recourse in the same quarter it was originated, should it be reported on SI900 through SI930?*

Answer: Yes. It should be included on SI900 through SI930 because these lines collect activity data, not balance sheet data.

Q&A No. 184

SUBJECT: TRUST PREFERRED SECURITIES
LINE(S): HC520 and HC530
DATE: September 5, 2002

Question: *Are Trust Preferred Securities that are reported as Liabilities on HC 300 also included on lines HC520 and HC530 as debt?*

Answer: Yes. Trust Preferred Securities, along with other “mezzanine” type securities such as convertible debt securities and redeemable preferred stock should be included as debt on HC520 or HC530, as appropriate. The dividends on these instruments should also be included on HC560, Interest Expense for the Quarter.

Q&A No. 185

SUBJECT: INTANGIBLES
LINE(S): HC510
DATE: September 5, 2002

Question: *I am looking for clarification regarding Schedule HC line 510. The instructions state to include intangible assets and includes as items #6 and #7 computer software costs and loan servicing contracts. The instructions further state that these examples of intangible assets are taken from FASB Statement No. 141. I am unable to find a reference to them in FASB Statement No. 141. Could you please supply a reference?*

Answer: You can find the reference in FASB Statement No. 141, Appendix A, paragraph number A14, "Examples of Intangible Assets that Meet the Criteria for Recognition [as Intangible Assets] Apart from Goodwill." Item d.(8) is "Servicing contracts such as mortgage servicing contracts" and item e.(2) is "Computer software and mask works." Paragraph A23 further defines contract-based intangible assets, and paragraph A26 defines computer software and mask works.

Q&A No. 186

SUBJECT: MINIMUM PENSION LIABILITY
LINE(S): Schedule CCR
DATE: September 5, 2002

Question: *We adjusted our minimum pension liability due to the decline in the stock market. We charged the unrealized loss, net of tax, to an equity account. Can you please let me know if and where this belongs on CCR?*

Answer: The adjustment for minimum pension liability is one of several items included in accumulated other comprehensive income (AOCI), a separate component of GAAP capital. For TFR purposes, it should be included in SC890. You do not adjust regulatory capital for this amount. Unlike gains and losses on available-for-sale securities and cash flow hedges, this minimum pension liability amount remains in regulatory capital.

Q&A No. 187

SUBJECT: OFFSETTING COMMITMENTS TO SELL AND PURCHASE SECURITIES
LINE(S): Schedule CCR
DATE: September 5, 2002

Question: May firm commitments to sell and to purchase mortgage-backed securities be offset prior to on-balance-sheet conversion?

Answer: There is no specific provision in our capital rule allowing for offset of sales and purchases in this circumstance. It would have to be reviewed on a case-by-case basis by your OTS examiner. However, as with bilateral netting of contracts, the commitments on both sides would have to be with the same counter party, probably with some type of netting contract in place, with the same type of security on both sides of the transaction, and the transaction differing only in amount where one side could be subtracted from the other.

Q&A No. 188

SUBJECT: CMO RISK WEIGHTING
LINE(S): Schedule CCR
DATE: September 5, 2002

Question: *If a private CMO as well as a Fannie Mae or Freddie Mac CMO were AAA rated, would it qualify for 20% risk weighting? Are there any circumstances (other than stripped CMOs and MBS's with recourse) whereby a AAA CMO would not qualify for 20% risk weighting?*

Answer: For a private-issue CMO to receive 20% risk weight, it must meet the criteria for 20% risk weight under the ratings-based approach in 12 CFR 567.6(b)(3). Refer to the rule for the specific criteria. In general, the criteria will depend upon whether the CMO is a traded CMO or a nontraded CMO.

- A **traded** CMO must have a long-term rating by a nationally recognized statistical rating organization (NRSRO) in the highest or second highest investment grade. If rated by two or more NRSROs, you must use the lower rating; and no NRSRO may have rated the CMO worse than one grade below investment grade.
- A **nontraded** CMO must be rated by more than one NRSRO, and the lower rating must be used. Again, it must be in the highest or second highest investment grade. No NRSRO may have rated the CMO worse than one grade below investment grade.

Refer to the rule for additional criteria.

A Fannie Mae or Freddie Mac CMO would typically be 20% risk weight. There are some exceptions. For example, Fannie and Freddie POs and IOs that are not credit enhancing are risk weighted at 100%. If a Fannie or Freddie CMO were found to, in substance, have IO or PO characteristics, even though not a pure IO or PO, you could also use the 100% risk weight category.

Furthermore, whether a GSE-issued CMO, or a private-issued CMO, OTS reserves the right to look to the substance of the security, and require an appropriate amount of capital for the risk, regardless of how the risk is characterized by others.

FINANCIAL REPORTING DIVISION, DALLAS, TX

225 E. John Carpenter Freeway
Suite 500
Irving, TX 75062-2326

FAX (972) 277-9596

VIKKI REYNOLDS, MANAGER (972) 277-9595

vikki.reynolds@ots.treas.gov

(972) 277-**XXXX**

THRIFT FINANCIAL REPORT (TFR/CMR)

JIM HANSON james.hanson@ots.treas.gov	9620
KATHRYN JOHNSON kathryn.johnson@ots.treas.gov	9611
MIKE JOHNSON kenneth.johnson@ots.treas.gov	9621
KEVIN JONES kevin.jones@ots.treas.gov	9612
JIM MELTON jimmy.melton@ots.treas.gov	9613
ANGELA THORPE-HARRIS angela.thorpe@ots.treas.gov	9615
KEN WALKER kenneth.walker@ots.treas.gov	9622
JO ANN WILLIAMS joann.williams@ots.treas.gov	9616

(972) 277-**XXXX**

MONTHLY COST OF FUNDS (COF)

KATHRYN JOHNSON kathryn.johnson@ots.treas.gov	9611

BRANCH OFFICE SURVEY (BOS)

CHEYANN HOUTS cheyann.houts@ots.treas.gov	9617

ELECTRONIC FILING SYSTEM (EFS) HELP

CHEYANN HOUTS cheyann.houts@ots.treas.gov	9617
DORIS JACKSON doris.jackson@ots.treas.gov	9618

GENERAL QUESTIONS AND SOFTWARE DISTRIBUTION

DORIS JACKSON doris.jackson@ots.treas.gov	9618

The Financial Reporting Division uses voice mail extensively. If you reach the voice mail of the person you are calling, please leave a brief message, speaking slowly enough to be clearly understood. Include your name, phone number, region, and docket number. Your call will be returned as quickly as possible.

TFR REPORTING QUESTIONS AND ANSWERS

We post TFR Questions and Answers on the OTS web site at http://www.ots.treas.gov/tfrqanda.html. If you have a question that you would like answered, you may submit it to tfr.instructions@ots.treas.gov.

COPIES OF TFR MANUAL

OTS provides one free copy of the TFR Instruction Manual and Financial Reporting Bulletins to report preparers of all OTS-regulated institutions. Additional copies of the manual and bulletins may be ordered from our distribution service at (301) 645-6264 at a cost for a one-year subscription of $35. You can also access the manual and bulletins on the OTS web site at http://www.ots.treas.gov/tfrpage.html.

institution with a charter conversion **from OTS to another banking regulator** or merger with a non-OTS regulated institution**,** effective **after** close of business on the last day of the quarter, is required to file a TFR for the entire previous quarter. Institutions changing banking charters are never required to file a partial report to their former banking regulator; they must file a financial report only with the agency regulating them on the last day of the quarter, reporting activities for the entire quarter. Therefore, an institution that is required to file a TFR is not required to file a Call Report and vice versa. If a newly formed OTS-regulated institution opens for business at any time during the quarter, even if on the last day of the quarter, it is required to file a TFR for the period of operations during the quarter.

5. RECORD RETENTION

You should retain at least one copy of your completed TFR for reference; do not send paper copies to the OTS in Washington. Section 7(b)(5) of the Federal Depository Institutions Act requires each insured depository institution to maintain records for verifying the correctness of the institution's insurance assessment for five (5) years from the date of filing.

6. AMENDING THE TFR

To have amendments included in the first public release of the OTS data file, you must transmit within **50 calendar days** of the end of the quarter; that is, within 20 days after the TFR due date. Amendments submitted after the 50-day period should have the approval of OTS, FRD in Dallas, before transmission. In no case can OTS process amendments beyond 140 days after the end of the quarter. **With every amendment you file, you should send a user note explaining the reason for the amendment.**

You may correct material errors in prior-period TFRs in one of the following ways depending on the time period being corrected:

1. If you can file an amendment within 140 days of the end of the quarter being corrected, transmit the amendment correcting the TFR in which the error occurred after you discuss it with your FRD analyst in Dallas.
2. If the correction is to an income statement in a quarter that can no longer be amended and is within the current calendar year, include the correction with the current TFR in the same data field that would have carried it in the original report. If the adjustment distorts yields or results in negative numbers in fields that do not permit negatives, include the amendment in Other Noninterest Income, SO490, or Other Noninterest Expense, SO580.
3. If the correction is to an income statement for a quarter from a prior calendar year that can no longer be amended, make the adjustment directly to retained earnings on SI670, Other Adjustments to Equity Capital.

You should file TFR amendments electronically, rather than by phone or fax. Amendments filed electronically automatically update EFS on your computer. Please direct questions regarding the electronic filing of amended TFRs to the OTS Financial Reporting Division in Dallas, Texas, at 972-277-9617 or 972-277-9618.

The amendment filing deadlines above also apply to amending Schedule CMR. All amendments to Schedule CMR must be submitted within 140 days of the end of the quarter.

7. REPORTING BASIS

Prepare the TFR on a consolidated basis in accordance with generally accepted accounting principles (GAAP). Report subordinate organizations that are not GAAP-consolidated subsidiaries using the equity or cost methods of accounting. **Subordinate organization** is defined by OTS regulation. It includes any corporation, partnership, business trust, association, joint venture, pool, syndicate, or other similar business organization in which a savings association has a direct or indirect ownership interest. It excludes an ownership interest that qualifies as a pass-through investment pursuant to 12 CFR § 560.32 and is so designated by the reporting savings association. GAAP-consolidated subsidiaries as defined in 12 CFR § 559.2 mean entities in which a savings association has a direct or indirect ownership interest and whose assets are consolidated with those of the savings association for purposes of reporting under GAAP.

You should apply GAAP unless we specifically state otherwise in these instructions. Accordingly, the instructions for each data field reflect, to the extent possible, GAAP applicable to savings associations. Note, however, that financial statements of savings associations prepared in accordance with GAAP have flexible presentation formats and may require significantly less detail on a less frequent basis than the TFR. The TFR collects additional detail to facilitate supervision by the OTS and to provide uniform information on industry activities. Certain GAAP reporting and presentation concepts may not be consistent with the conventions and frequency of the TFR. In these cases, the TFR instructions override GAAP presentation practices.

The amounts reported on the TFR must be readily reconcilable to the savings association's books and records.

8. EXEMPTION FROM FILING SCHEDULE CMR

Savings associations with less than $300 million in assets and with risk-based capital ratios in excess of 12 percent for two consecutive quarters are exempt from filing Schedule CMR. All savings associations newly regulated by the OTS are exempt from filing Schedule CMR for the first two quarters that they are under OTS regulation.

You lose your exemption from filing Schedule CMR if you do not meet the exemption criteria for two consecutive quarters. You must file Schedule CMR beginning the quarter after the second consecutive quarter in which you do not meet the criteria. For example, you fail the criteria in March and June, therefore, you must file Schedule CMR for the September quarter, and each quarter thereafter until your OTS Regional Director reinstates the exempt status.

You may also lose your exempt status if your OTS Regional Director requires you to file Schedule CMR. You must continue to file Schedule CMR until your OTS Regional Director reinstates the exemption in writing.

9. TFR PREPARATION

a. Round all dollar amounts to the nearest thousand. If any balance sheet data field or other balance as of the end of the reporting period is less than $500, enter a **1** in the data field to indicate that the amount is not zero. This does not apply to the data fields representing income, expense, and other activity. Where necessary for balancing purposes, make adjustments to the appropriate **other** category.

b. Data fields that we indicate in the instructions and forms as being deducted should not be input as negative; these data fields will be subtracted by EFS. Indicate these data fields as negative only when the instructions say that the netting of certain amounts within these data fields might result in an amount that should be added rather than subtracted. We identify these data fields in italics on the form and mention them in the accompanying instructions.

c. You should check all data and prove all totals before and after input. Crosscheck data fields that should agree with other data fields. All edit failures indicated in EFS should be thoroughly verified and

9. Amounts that you have withheld from employee compensation for payment to a third party such as withholding taxes, health and life insurance premiums, and pension funds.
10. Interest you have withheld from deposits for remittance to taxing authorities.
11. Interest you have accrued on escrows included above.

Do not include:

1. Advances for borrowers' taxes and insurance, T&I escrow accounts with debit balances. If you or your consolidated subsidiaries own the related loan, report the advances on SC275, Advances for Taxes and Insurance. If you service the related loan for others, report them on SC690, Other Assets, as Code 09.
2. Advances to investors for loans you serviced for others prior to receipt from the borrower. Report as assets on SC690, Other Assets, Code 09.
3. Custodial accounts held by a depositor for another for example, a custodial account held for a minor where the parent or some other depositor is the custodian. Report as deposits on SC710.
4. IRA and Keogh accounts. Report as deposits on SC710.
5. Escrows where the funds are deposited in other depository institutions. Report as liabilities on SC796, Other Liabilities, Code 99.
6. Unamortized deferred gains and losses on hedging transactions closed prior to adoption of FASB Statement No. 133. Report on SC715, Unamortized Yield Adjustments on Deposits.
7. Accumulated gain or loss (change in fair value) on escrows attributable to the designated risk being hedged on a qualifying fair-value hedge under FASB Statement No. 133. Report on SC715, Unamortized Yield Adjustments on Deposits.
8. Escrows where your holding company or unconsolidated affiliate is a party to the escrow agreement and where you are not a party to the escrow agreement. Report on SC710, Deposits.

SC715: UNAMORTIZED YIELD ADJUSTMENTS ON DEPOSITS

Report the unamortized balance of discounts and premiums on deposits. Report the face amounts of the related deposits on SC710, Deposits. These yield adjustments are amortized to interest expense on SO215, Interest Expense on Deposits. This data field may be negative, representing a debit.

Include:

1. Discounts and premiums resulting from initially recording purchased deposits and escrows at fair value.
2. Discounts and premiums related to accounting for a derivative instrument embedded in deposits and escrows as either a separate asset or liability, when required by FASB Statement No. 133.
3. The accumulated gain or loss (the change in fair value) on deposits and escrows attributable to the designated risk being hedged on a qualifying fair value hedge under FASB Statement No. 133.
4. Unamortized deferred gains and losses on hedging transactions closed prior to adoption of FASB Statement No. 133.

Do not include:

1. Yield adjustments related to advances and borrowings; these directly reduce the related borrowing.
2. Core deposit intangibles resulting from an acquisition, merger, or change in control. Report on SC660, Goodwill and Other Intangible Assets.

BORROWINGS

Adjust borrowings for (1) discounts and premiums in accordance with APB No. 21, Paragraph 16; (2) unamortized deferred gains and losses on hedging transactions closed prior to adoption of FASB Statement No. 133, and (3) the accumulated gain or loss (change in fair value) on borrowings attributable to the designated risk being hedged on a qualifying fair-value hedge under FASB Statement No. 133. Amortize the discounts and premiums to interest expense. Report issuance costs related to borrowings in SC690, Other Assets.

SC72: Total

The EFS software will compute this line as the sum of SC720 through SC760

SC720: Advances from FHLBank

Report all FHLBank borrowings.

Include:

1. All FHLBank advances.
2. Deferred commitment fees you paid on FHLBank advances; these reduce the outstanding balance.

Do not include:

1. Amounts due a FHLBank in the form of securities sold under agreements to repurchase. Report on SC730.
2. Accrued interest. Report on SC766, Other Accrued Interest Payable.
3. FHLBank advances that have been defeased in substance in accordance with GAAP, as principally prescribed in FASB Statement No. 76, *Extinguishment of Debt*, and FASB Technical Bulletin 84-4, *In-substance Defeasance of Debt*. You do not report these advances and the related assets in your statement of condition.

You report all residual interests somewhere on Schedule SC, typically on SC150, SC185, SC655, or SC690. The total of lines SI402 and SI404 should equal all residual interests, as defined above, that you have included on Schedule SC.

In addition, you should report the appropriate amounts in Schedule CC, on CC455 and CC465 or CC468, related to direct credit substitutes and recourse obligations. Also, as residual interests are subject to specialized regulatory capital treatment pursuant to 12 CFR Parts 567.6 and 567.12, you should report the appropriate amounts in Schedule CCR, on CCR133, CCR170, CCR375, and CCR605.

SI402: Residual Interests in the Form of Interest-only Strips

Report residual interests as defined above in the form of credit-enhancing interest-only strips.

Credit-enhancing interest-only strips are defined in 12 CFR Part 567.1 as any on-balance-sheet asset that, in form or in substance, represents the contractual right to receive some or all of the interest due on transferred assets, and that through subordination provisions or other credit enhancement techniques exposes the institution to credit risks that exceed its pro rata claim on the transferred assets.

Report both retained and purchased credit-enhancing interest-only strips. However, do not include interest-only strips issued by government-sponsored entities or other interest-only strips that do not function in a credit enhancing or otherwise subordinate capacity.

SI404: Other Residual Interests

Report any other residual interests and on-balance-sheet recourse assets that you have not reported on SI402. Include purchased subordinated interests, purchased subordinated securities, and any other type of residual or recourse position that you have purchased from others. Do not include interest-only strips issued by the government or government sponsored enterprises, unless they meet the definition of residual interest in 12 CFR 567.1.

QUALIFIED THRIFT LENDER TEST

SI581, SI582, and SI583: Actual Thrift Investment Percentage at Month-end

To be a Qualified Thrift Lender, QTL, you must either meet the Home Owners' Loan Act, HOLA, QTL test or the Internal Revenue Service tax code Domestic Building and Loan Association, DBLA, test.

If you use the HOLA QTL test, report the ATIP from the OTS QTL worksheets, OTS Form 1427, for the three months. If you use the IRS DBLA test, leave lines SI581, 582, and 583 blank.

EXTENSIONS OF CREDIT BY THE REPORTING ASSOCIATION (AND ITS CONTROLLED SUBSIDIARIES) TO ITS EXECUTIVE OFFICERS, PRINCIPAL SHAREHOLDERS, DIRECTORS, AND THEIR RELATED INTERESTS AS OF THE REPORT DATE

Federal Reserve Regulation O defines the terms used in this item.

An **extension of credit** is a making or renewal of any loan, a granting of a line of credit, or an extension of credit in any manner whatsoever. Extensions of credit include, among others, loans, overdrafts, cash items, standby letters of credit, and securities purchased under agreements to resell. For lines of credit, the amount reported as an extension of credit is normally the total amount of the line of credit extended to the insider, not just the current balance of the funds that have been advanced to the insider under the line of credit. *See* 12 CFR § 215.3, Regulation O.

An **executive officer** of the reporting savings association is person who participates or has authority to participate, other than as a director, in major policy-making functions of the reporting savings association, an executive officer of the savings association's holding company, and, unless excluded by the savings association's board of directors or bylaws, any other subsidiary of that holding company. *See* 12 CFR § 215.2(e), Regulation O.

A **director** of the reporting savings association is person who is a director of the savings association, whether or not receiving compensation, a director of the holding company of which the savings association is a subsidiary, and, unless excluded by the savings association's board of directors or bylaws, a director of any other subsidiary of that holding company. *See* 12 CFR § 215.2(d), Regulation O.

A **principal shareholder** of the reporting savings association is an individual or a company other than an insured depository institution that directly or indirectly, or acting through or in concert with one or more persons, owns controls, or has the power to vote more than 10% of any class of voting stock of the reporting savings association. Regulation O considers shares owned or controlled by a member of an individual's immediate family to be held by the individual. A principal shareholder includes a principal shareholder of a holding company of which the reporting savings association is a subsidiary and a principal shareholder of any other subsidiary of that holding company. *See* 12 CFR § 215.11(a)(1), Regulation O.

A **related interest** is either:

1. A company, other than an insured depository institution or a foreign bank that is controlled by an executive officer, director, or principal shareholder.
2. A political or campaign committee that is controlled by or the funds or services of which will benefit an executive officer, director, or principal shareholder. *See* 12 CFR § 215.11(a)(2), Regulation O.

SI590: Aggregate amount of all extensions of credit

Report the aggregate amount outstanding as of the report date of all extensions of credit by you and your controlled subsidiaries to all of your executive officers, principal shareholders, directors, and their related interests.

Include each extension of credit in the aggregate amount only one time, regardless of the number of borrowers.

SI595: Number of executive officers, principal shareholders, and directors to whom the amount of all extensions of credit (including extensions of credit to related interests) equals or exceeds the lesser of $500,000 or five percent of unimpaired capital and unimpaired surplus (CCR30 + CCR35 + CCR530 + CCR105)

Report the number of your executive officers, principal shareholders, and directors to whom the amount of all extensions of credit outstanding by you and your controlled subsidiaries as of the report date equals or exceeds the lesser of $500,000 or five percent of unimpaired capital and unimpaired surplus. That is, five percent x (CCR30 + CCR35 + CCR530 + CCR105). Report the actual number; do not round to thousands.

For purposes of this item, the amount of all extensions of credit by you and your controlled subsidiaries to an executive officer, principal shareholder, or director includes all extensions of credit by you to the related interests of the executive officer, principal shareholder, or director. A single extension of credit to more than one borrower must be included in full for all extensions of credit for each executive officer, principal shareholder, and director included in the credit. That is, one loan may be included more than once in the calculation of the $500 thousand or 5% of unimpaired capital and unimpaired surplus limit, because it will be included for each executive officer, principal shareholder, and director listed on the loan.

RECONCILIATION OF EQUITY CAPITAL

SI600: Beginning Equity Capital

The EFS software automatically generates this amount from your prior quarter's SI680.

Special instructions for mergers and reorganizations:

- Pooling Mergers – Report the sum of SI680 of all pooled institutions for the previous quarter.
- Purchase Mergers – Report SI680 for the previous quarter for the surviving savings association only.
- Change of Control involving pushdown accounting including receiverships – Report SI680 for the previous quarter. Adjustments should be reported on SI660.

SI610: Net Income (Loss)

The EFS software automatically generates this amount from SO91, Net Income.

Dividends Declared:

SI620: Preferred Stock

Report the dollar amount of cash dividends declared during the period on preferred stock. These dividends are not charged to interest expense, but directly reduce retained earnings.

Include:

1. Dividends declared on preferred stock reported on SC812 and SC814.
2. Dividends declared on redeemable preferred stock reported on SC799.
3. Dividends declared on perpetual preferred stock of consolidated subsidiaries reported on SC799.

SI630: Common Stock

Report the dollar amount of cash dividends declared during the period for common stock reported on SC820. These dividends are not charged to interest expense, but directly reduce retained earnings. Include cash dividends made to holding companies as well as to individual shareholders.

Do not include:

1. Stock dividends.
2. Stock splits.
3. Property dividends. Report on SI670.

SI640: Stock Issued

Report the amount of cumulative and noncumulative perpetual preferred stock and common stock issued during the quarter.

Include:

1. Perpetual preferred stock, including discounts and premiums, issued by you during the quarter that qualifies as equity under GAAP.
2. The par value and paid-in-capital received in connection with the stock issue.

Do not include:

1. The conversion of preferred stock into common stock.
2. Gains on treasury stock sold. Report on SI670.
3. Capital contributed not connected with a stock issue. Report on SI670.

When applying push-down accounting, report the amount paid in a change of control for your stock. Report the previously recorded par value and capital in excess of par value on SI650.

SCHEDULE HC — THRIFT HOLDING COMPANY

*Throughout these instructions, **you** and **your** refers to the reporting savings association and its consolidated subsidiaries; **we** and **our** refers to the Office of Thrift Supervision.*

GENERAL INSTRUCTIONS

Complete this schedule if you are owned by a thrift holding company, unless your holding company is a registered Bank Holding Company supervised by the Federal Reserve. If your holding company owns more than one thrift institution, we will advise you which institution should file this report. We will also advise you which holding company(ies) to report if you are owned by more than one. You should continue to report for each holding company designated until advised otherwise.

Report all data on a consolidated basis in accordance with GAAP for each designated holding company and its subsidiaries as of the end of the quarter. If the holding company has a quarter end other than a calendar quarter end, you may use data from the fiscal quarter ending within the reporting calendar quarter. For example, if the holding company's calendar year end is October, its **fiscal quarter ends** are January, April, July and October. You should use its fiscal quarter ending January 31 for the March 31 TFR, April 30 for June 30, July 31 for September 30, and October 31 for December 31.

Thrift holding companies that **both** (1) are insurance companies, **and** (2) do not prepare financial statements for external use in conformity with GAAP, are permitted to file this data from financial statements prepared in conformity with statutory accounting principles for insurance companies.

You must file Schedule HC no later than the 45th day following the end of the **calendar** quarter. We do **not** make public Schedule HC data for individual holding companies. We do make public aggregate data for Schedule HC.

HC100: HOLDING COMPANY NUMBER

Report the docket number of the holding company for which you are reporting. All holding company docket numbers begin with an H.

HC110: FISCAL YEAR END

Report the month of the fiscal year end of the holding company.

FILINGS UNDER THE SECURITIES EXCHANGE ACT OF 1934:

HC120: Is any company in this holding company's structure required to file periodic securities disclosure documents (for example, Forms 10-K and 10-Q) with the SEC, pursuant to the Securities Exchange Act of 1934?

Answer ***yes*** if the reporting holding company or any entity that directly or indirectly **owns** the reporting holding company, or that is directly or indirectly owned by the reporting holding company, files periodic securities disclosure documents with the SEC. Examples of disclosure documents are Forms 10-K and 10–Q. Answer ***no*** if you file securities disclosure documents with OTS, and your holding company does **not** file with the SEC.

HC200: TOTAL ASSETS

Report total consolidated assets.

HC300: TOTAL LIABILITIES

Report total consolidated liabilities; including redeemable preferred stock, trust-preferred securities, and minority interest in common stock.

Include on this line instruments that have both debt and equity characteristics, but that are not properly reported as equity under GAAP. Examples of such instruments include, but are not limited to, convertible debt securities, trust preferred securities, and redeemable preferred stock. In addition, include on this line minority interest in common stock of consolidated subsidiaries. Note that companies sometimes report the instruments described in this paragraph on their balance sheet in a "mezzanine" category, that is, between liabilities and equity. However, Schedule HC has no such category. Therefore, include all such instruments in line HC300.

HC400: TOTAL EQUITY

Report the total consolidated equity.

OTHER DATA:

HC510: INTANGIBLE ASSETS AND DEFERRED POLICY ACQUISITION COSTS

Report the unamortized balance of intangible assets and deferred policy acquisition costs of the consolidated holding company.

Include on this line the following intangible assets (taken from examples provided in FASB Statement No. 141):

1. Goodwill.
2. Customer relationships and customer lists, including core deposit premiums.
3. Employment agreements.
4. Noncompetition agreements.
5. Lease agreements.
6. Computer software costs.
7. Loan servicing contracts, including mortgage servicing rights.

Deferred policy acquisition costs are capitalized costs that are incurred by insurance companies. They include variable acquisition costs such as commissions and underwriting and policy issuance expenses, related to both new and renewal premium revenue that are deferred, and then expensed as the related premium revenue is earned.

HC520: DEBT MATURING WITHIN THE NEXT 12 MONTHS (EXCLUDING DEPOSITS)

Report all borrowings of the consolidated holding company that would be classified as current liabilities if the holding company were to present a classified balance sheet. In other words, include all borrowings that, within the next 12 months, either (1) contractually mature, (2) are callable at the option of the lender, or (3) otherwise become due and payable.

Borrowings, as the term is used here and for line HC530 below, means short-term or long-term debt, negotiated with specified terms, usually including interest rates and repayment dates. *Borrowings* exclude deposits and transactional liabilities, such as accounts payable, income taxes payable, and accrued liabilities. *Callable*, as the term is used here, refers to an option by the lender to require repayment of the borrowing before its contractual maturity.

A classified balance sheet is one that includes subtotals for current assets and current liabilities. Most thrift holding companies do not present a classified balance sheet. However, for purposes of HC520 and HC530, all borrowings should be classified as either current or noncurrent. The parameters of current liabilities are detailed in Accounting Research Bulletin No. 43, *Restatement and Revision of Accounting Research Bulletins*, Chapter 3A, as revised by SFAS No. 78, *Classification of Obligations That Are Callable by the Creditor*.

Example: A holding company's borrowings, on a consolidated basis, include a Federal Home Loan Bank (FHLB) advance where the contractual maturity date is beyond the next 12 months. However, beginning on a date within the next 12 months, the FHLB may exercise its option to require immediate repayment of the advance. You should include that advance in line HC520.

HC530: ALL OTHER DEBT (EXCLUDING DEPOSITS)

Report all borrowings of the consolidated holding company **except**:

1. Debt maturing within the next 12 months reported on HC520.
2. Deposit and escrow liabilities held by you or any other subsidiary depository institution.

HC540: NET CASH FLOW FROM OPERATIONS FOR THE QUARTER

Report the net increase or decrease in cash and cash equivalents from operating activities for the quarter as would appear in a consolidated statement of cash flows prepared in accordance with FASB No. 95. Do not include any change in cash and cash equivalents from investing and financing activities.

HC550: NET INCOME FOR THE QUARTER

Report the consolidated net income of the holding company for the quarter.

HC560: INTEREST EXPENSE FOR THE QUARTER (EXCLUDING INTEREST ON DEPOSITS)

Report the consolidated interest expense of the holding company for the quarter, excluding interest expense on deposit and escrow liabilities held by you or any other subsidiary depository institution.

SCHEDULE CCR — CONSOLIDATED CAPITAL REQUIREMENT

*Throughout these instructions, **you** and **your** refers to the reporting savings association and its consolidated subsidiaries; **we** and **our** refers to the Office of Thrift Supervision.*

GENERAL INSTRUCTIONS

OTS-regulated savings associations must comply with two overlapping sets of regulatory capital standards listed below:

12 CFR § 567, Capital (FIRREA)

1. Tangible capital: The minimum ratio, as a percent of tangible assets, is 1.5 percent.
2. Core or leverage capital: The minimum ratio, as a percent of adjusted total assets, is 3 percent for savings associations assigned a composite CAMELS rating of ”1”, and 4 percent for all other savings associations.
3. Risk-based capital: The minimum ratio, as a percent of risk-weighted assets, is 8 percent.

12 CFR § 565, Prompt Corrective Action (FDICIA)

4. Tangible equity: Savings associations with tangible equity equal to or less than 2 percent of tangible assets are critically undercapitalized.
5. Tier 1 or leverage capital: Savings associations are adequately capitalized or well capitalized if the minimum ratios, as a percent of adjusted total assets, are 4 percent or 5 percent, respectively.

   Note: § 567 contains an exception to these standards.
6. Tier 1 risk-based capital: Savings associations are adequately capitalized or well capitalized if the minimum ratios, as a percent of risk-weighted assets, are 4 percent or 6 percent, respectively.
7. Total risk-based capital: Savings associations are adequately capitalized or well capitalized if the minimum ratios, as a percent of risk-weighted assets, are 8 percent or 10 percent, respectively.

Note: The following paragraph refers to numbers 1 through 7 above.

Schedule CCR - Consolidated Capital Requirement uses the following conventions:

- Tangible capital (FIRREA) [See 1 above.]

  Schedule CCR does not include this measure because the minimum ratio is no longer considered a meaningful limitation for most savings associations.

- Tangible equity (FDICIA) [See 4 above.]

  CCR840 reports the calculated tangible equity ratio.

- Core or leverage capital (FIRREA) [See 2 above.] and Tier 1 or leverage capital (FDICIA) [See 5 above.]

  Schedule CCR treats these two measurements as one and refers to them as Tier 1 (core) capital. CCR810 reports the actual ratio. An adequately capitalized savings association must have a minimum Tier 1(core) capital ratio of 4 percent. CCR20 reports the calculated amount.

- Tier 1 risk-based capital (FDCIA) [See 6 above.]

  CR830 reports the calculated ratio.

- Risk-based capital (FIRREA) [See 3 above.] and total risk-based capital (FDICIA) [See 7 above.]

  Schedule CCR treats these two measurements as one and refers to them as total risk-based capital. CCR820 reports the calculated ratio. An adequately capitalized savings association must have a minimum total risk-based capital ratio of 8 percent. CCR39 reports the calculated amount.

Generally, report all data on a consolidated basis with all subsidiaries that you would consolidate under GAAP, except as noted in these instructions.

Subsidiary: The term subsidiary means any corporation, partnership, business trust, joint venture, association, or similar organization where you, directly or indirectly, hold an ownership interest and consolidate the assets with yours for purposes of reporting under GAAP. Generally these are majority-owned subsidiaries.

This definition does not include ownership interests taken in satisfaction of debts previously contracted, provided you have not held the interest for more than five years, or a longer period if approved by OTS.

Generally, treat investments in entities not constituting subsidiaries under this definition as equity investments for capital purposes.

The following shows the regulatory capital treatment of debt and equity investments in subsidiaries and other subordinated organizations:

- Consolidate includable subsidiaries in accordance with GAAP.
- Deduct debt and equity investments in nonincludable subsidiaries in full (100 percent) from assets and capital. All previously applicable transition provisions have expired.
- Deduct nonincludable equity investments in subordinate organizations constituting subsidiaries in full (100 percent) in computing total capital for the total risk-based capital standard.

Nonincludable subsidiaries: Generally include subsidiaries engaged as principal in activities not permissible for a national bank. The instructions for CCR105 define nonincludable subsidiaries.

CCR33: Tier 2 (Supplementary) Capital

The EFS software computes this line as the sum of CCR302, CCR310, CCR320, CCR330, CCR340, and CCR350.

CCR35: ALLOWABLE TIER 2 (SUPPLEMENTARY) CAPITAL

The EFS software computes this line as follows.

If Tier 1 (core) capital is a positive amount, the software reports the lesser of the following:

1. Tier 2 (supplementary) Capital reported on CCR33.
2. Tier 1 (core) Capital reported on CCR30.
3. If you have negative Tier 1 (core) capital, the software reports zero on CCR35.

The amount of Tier 2 (supplementary) capital included in total capital cannot exceed the amount of Tier 1 capital.

CCR370: Equity Investments and Other Assets Required to be Deducted

Report the assets that 12 CFR § 567.5(c) requires to be deducted from total capital unless deducted elsewhere.

Include:

1. Investments in other depository institutions (reciprocal holdings) that other depository institutions may count in their regulatory capital such as capital stock, qualifying subordinated debt, etc.
2. The entire amount of all the following items:
   a. Your nonincludable debt and equity investments including debt and equity investments in subordinate organizations not constituting subsidiaries under 12 CFR § 567.1 (investments in entities not consolidated under GAAP) that engage as principal in activities impermissible for national banks and not otherwise includable under § 5(t) of HOLA.
   b. Investments in real property except real property primarily used or intended to be used by you, your subsidiaries, subordinate organizations, or affiliates as offices.
   c. Real property acquired in satisfaction of a debt, where you intend to hold the property for real estate investment purposes or do not expect to dispose of it within five years.

The term equity securities means any:

1. Stock.
2. Certificate of interest of participation in any profit sharing agreement.
3. Collateral trust certificate or subscription.
4. Preorganization certificate or subscription.
5. Investment Contract.
6. Voting trust certificate.
7. Securities immediately convertible into equity securities at the option of the holder without payment of substantial additional consideration such as convertible subordinated debt.
8. Securities carrying any warrant or right to subscribe to or purchase an equity security.
9. Investments, loans, advances, and guarantees issued on behalf of unconsolidated subordinate organizations.
10. Investments in real property not classified as fixed assets or repossessed property.

Do not include:

1. Interests in real property that are primarily used by you, your subsidiaries, subordinate organizations, or affiliates as offices or related facilities to conduct business. Report on CCR505, 100 percent Risk weight: All Other Assets.
2. Interests in real property that you acquire in satisfaction of a debt previously contracted in good faith or acquired in sales under judgments or decrees (REO). Report on CCR505, 100 percent Risk weight: All Other Assets.
3. FHLBank Stock.
4. Equity investments permissible for both savings associations and national banks. Risk weight them at 100 percent on CCR505. These include:
   a. Freddie Mac Stock.
   b. Fannie Mae Stock.
   c. Equity investments in subordinate organizations not constituting subsidiaries under 12 CFR § 567.1 – investments in subordinate organizations not consolidated under GAAP, that engage solely in activities as agent for customers or engage as principal in activities permissible for national banks or otherwise includable under § 5(t) of the HOLA.
   d. Real estate loans that are equity investments under GAAP and are permissible investments for national banks.
   e. Mutual funds and pass-through investments, defined in 12 CFR § 560.32 that invest in any of the above categories of permissible equity investments.
5. Investments in subsidiaries and/or equity investments that FSLIC or any successor agency fully covers. Report the entire amount of such investment on CCR410, 0% Risk weight: FDIC Covered Assets. There is no requirement for you to deduct such investments from capital.

Computation of CCR370 When General Valuation Allowances have been established:

Calculate the amount of equity investments reported on CCR370 net of charge-offs and general valuation allowances. For example, if you established a $10 specific valuation allowance against a $100 equity investment, you only deduct $90 from total capital and enter $90 on CCR370.

In computing CCR370, you should reduce the amount you calculated using the above instructions by the amount of general valuation allowances established against equity investments and required deductions in real property investments. To receive this credit, you **must** establish the general valuation allowance at the savings association level as a contra-asset to the equity investments and investments in real property. You must have and maintain adequate records to enable examiners to verify your claim that you established the general valuation allowances against these specific assets.

For example, if you have a $100 equity investment, net of charge-offs and specific valuation allowances, against which you established no general valuation allowance after July 1, 1994, you should enter the full asset amount, $100, on CCR370. If you established a $10 general valuation allowance against that same asset, you should deduct the $10 general valuation allowance from the $100 investment, resulting in deduction of $90.

Do **not** include general valuation allowances established on other assets in the credit computation outlined above.

CCR375: Deduction for Low-Level Recourse and Residual Interests

If you elect the “direct deduction” approach for low-level recourse and residual interests, report on this line the amount of 1) low-level recourse and 2) residual interests reported on SI402 and SI404. However, you should reduce the amount of residual interests reported here by any amount reported on CCR133. In addition, you may reduce the amount of low-level recourse and residual interests reported here by the amount of any corresponding deferred tax liability.

Include:

1. The amount of recourse liability you retain when it is less than the capital requirement for credit-risk exposure and therefore not converted to an on-balance-sheet equivalent. For example, in the sale of most assets with one percent recourse, the amount of liability retained usually is less than the capital requirements, and therefore you would report one percent of the assets sold on CCR375 or CCR605. See the instructions for the 100 percent credit conversion factor in the Conversion of Off-balance-sheet Items to On-balance-sheet Equivalents section above.
2. The amount of on-balance-sheet financial instruments pursuant to FASB Statement No. 140 representing subordinated credit risk interests, including interests in spread accounts and asset pools. However, your low-level recourse requirement may exceed the amount of this instrument if you are subject to credit losses exceeding the amount of the instrument.

CCR39: TOTAL RISK-BASED CAPITAL

The EFS software will compute this line as the total of CCR30 plus CCR35 minus CCR370, CCR375 and CCR380.

RISK-WEIGHT CATEGORIES

General Instructions

To calculate the total risk-based capital standard you must classify your assets in one of four risk-weight categories described below. Do **not** risk weight the assets that you have deducted from Tier 1 (core) capital – for example, nonincludable subsidiaries, nonqualifying intangibles, and disallowed assets.

Consolidate the assets of includable, GAAP-consolidated subsidiaries in determining the appropriate risk-weight categories. However, exclude the assets of **nonincludable subsidiaries** and **nonincludable equity investments** when computing risk-weighted assets.

Tier 2 (supplementary) capital includes ALLL but does not include other general valuation allowances. Consequently, to calculate the amount to be risk weighted, you may deduct allocated general valuation allowances from assets other than loans and leases but you may **not** deduct **ALLL** from loans and leases. In other words, you should risk weight loans at their recorded investment less only their specific valuation allowances, and risk weight all other assets at their recorded investment less their specific valuation allowances and allocated general valuation allowances.

You should risk weight assets after you make regulatory capital adjustments to those assets. For example, if we required you to deduct gains or add back losses on AFS securities in Tier 1 (core) capital, you should risk weight those securities at historical cost, not at fair value. The same is true for adjustments for disallowed servicing assets, disallowed net deferred tax assets, and other adjustments to Tier 1(core) capital. If you exclude assets, portions of assets, or adjustments to assets from Tier 1 (core) capital, you should exclude them from risk-weighted assets. Additionally, where you have included up to 45 percent of the pretax unrealized gains, net of unrealized losses, on AFS equity securities in Tier 2 capital (CCR302), you should include 100 percent of those unrealized gains in risk-weighted assets. In other words, you should risk weight the fair value, not the historical cost, of these AFS equity securities.

In determining the appropriate risk-weight category for **secured loans**, you must look at the type of collateral. In determining the appropriate risk-weight category for investments in **mutual funds**, you must look to the characteristics of the assets in the fund. Where the portfolio of a mutual fund consists of various assets that require different treatment under the capital requirement, you have two alternatives:

1. You may deal with the entire ownership interest in the mutual fund based on the asset with the highest capital requirement in the portfolio, or exclude the mutual fund from assets and thus deduct it from calculations of total capital, as appropriate.
2. You may assign different risk-weight categories to the mutual fund on a pro-rata basis, according to the investment limits for different categories in the fund's prospectus.

Regardless of the risk-weighting method used, the total risk weight of a mutual fund must be no less than 20 percent.

Accrued interest receivable that is not delinquent is part of the recorded investment in that loan or investment and should be risk-weighted with the underlying asset. Generally, delinquent accrued interest receivable is risk weighted at 100%

Multiply the sum of each risk-weight category by the appropriate risk-weight percentage for that category. For instance, you would multiply the sum of the zero percent risk-weight category by zero percent. After adding each risk-weight category and multiplying by its appropriate risk weight, add the product of each risk-weight category. This results in the on-balance-sheet portion of the total risk-based capital standard.

Include **off-balance-sheet items** in the total risk-based capital standard after converting them into on-balance-sheet equivalents. Convert off-balance-sheet items by taking the dollar amount of the off-balance-sheet item or the grossed up amount of off-balance-sheet recourse obligations under 12 CFR § 567.1, as appropriate. Multiply that amount by the appropriate credit conversion factor from the table that follows the discussion of risk-weight categories. Additionally, you should risk weight interest-rate and exchange-rate contracts by calculating a credit equivalent amount. See explanation following the discussion of off-balance-sheet items.

Report in the appropriate category all on-balance-sheet assets together with all on-balance-sheet equivalents (off-balance-sheet items after converting them according to the discussion above). From the sum of on-balance-sheet and off-balance-sheet risk-weighted assets, deduct ALLL that exceeds the amount you may include as capital on CCR350.

Note: Report all loans and investments that are more than **90 days past due** on CCR505, 100 percent Risk weight. Report all of these loans on CCR505 regardless of the type of investment or collateral, except for FDIC covered assets. Report FDIC covered assets on CCR410, 0% Risk weight: FDIC Covered Assets.

0% Risk weight

CCR400: Cash

Report all cash-on-hand, including the amount of domestic and foreign currency owned and held or in transit in all your offices. Convert any foreign currency into U.S. dollar equivalents as of the date of the report.

Do not include:

1. Cash deposited in another financial institution, whether interest-bearing or non-interest-bearing. Report on CCR445.
2. Cash equivalents such as travelers' checks. Report on CCR445.

CCR405: Securities Backed by Full Faith and Credit of U.S. Government

Report the amount of securities issued by and other direct claims on the following:

1. The U.S. Government or its agencies to the extent such securities or claims are **unconditionally** backed by the full faith and credit of the U.S. Government.
2. The central government of an Organization of Economic Cooperation and Development (OECD) country.

Include:

1. Most Ginnie Mae securities. (Note that an interest only strip or Ginnie Mae security that exhibits similar interest rate risk would not be eligible for 0% risk weight. Report as 100% risk weight on CCR 505.)
2. U.S. Treasury securities.
3. SBA pools or certificates, or portions thereof, that have an unconditional guarantee by the full faith and credit of the U.S. Government.

Do not include:

1. Notes and obligations of the FDIC. Report on CCR408.
2. Assets collateralized by U.S. Government securities. Report on CCR450, 20% Risk weight: Other.
3. Mortgage-backed securities (MBS) where you have recourse for the underlying loans. The capital requirement on such obligations should follow the standard treatment of recourse obligations.

CCR408: Notes and Obligations of the FDIC

Report notes and obligations of the FDIC that have the unconditional backing by the full faith and credit of the U.S. Government, except for those on CCR410.

CCR410: FDIC Covered Assets

Report the portion of assets **fully** covered against capital loss and/or yield maintenance agreements by the FDIC. Place that portion of assets without FDIC coverage (for example, those included in a deductible) in a risk-weight category according to the characteristics of the asset. If you cannot assign a deductible under a coverage agreement to a specific type of asset, then you should place the deductible in the 100 percent risk-weight category.

Include investments in subsidiaries and equity investments with full FDIC coverage, regardless of the percentage of ownership or business activity of the entity in which you have invested.

CCR415: Other

Report all zero percent risk-weight assets not included above as defined in 12 CFR § 567.6(a)(1)(i).

Include:

1. Deposit reserves at, claims on, and balances due from Federal Reserve Banks, excluding interest rate contracts. Report interest rate contracts on CCR450, 20% Risk weight: Other.
2. The book value of paid-in Federal Reserve Bank stock.
3. That portion of assets not included elsewhere in the zero percent risk-weight category directly and unconditionally guaranteed by the U.S. Government or its agencies, or the central government of an OECD country.

CCR420: Total

The EFS software will compute this line as the sum of CCR400 through CCR415.

CCR40: 0% Risk-weight Total

The EFS software will automatically compute this line as zero percent times CCR455, the risk-weighted product of all zero percent risk-weighted assets.

20% Risk weight

CCR430: High-quality MBS

Report mortgage-related securities and other asset-backed securities that meet the criteria for 20% risk weight. ***Note*** that if you have a **subordinate** class of an otherwise 20% risk weight, high-quality MBS, you must gross up and risk weight your security plus the balance of all classes senior to it. However, if you are able to utilize the ratings based approach (12 CFR 567.6), it is not necessary to gross up the more senior positions. See also CC455, CC465, and CC468.

Include:

1. Most Fannie Mae and Freddie Mac mortgage-related securities. (Note: Report Fannie and Freddie principal-only stripped securities (POs) and interest-only stripped securities (IOs) that are not credit enhancing on CCR 505.)

2. Asset-backed securities with a AAA or AA rating that meet the criteria of the ratings based approach - 12 CFR § 567.6.

Do not include:

1. Stripped MBS. Report IO and PO strips that are not credit enhancing of otherwise high quality MBS on CCR505, 100% risk weight.
2. Ginnie Mae mortgage pool securities. Refer to instructions for CCR405.
3. MBSs where you have recourse for the underlying loans. The capital requirement on such obligations should follow the treatment of recourse obligations.

CCR435: Claims on FHLBs

Report all investments in, claims on, and balances due from Federal Home Loan Banks.

Include:

1. Book value of Federal Home Loan Bank stock.
2. Demand, savings, and time deposits with a FHLBank.
3. Securities, bonds, and notes issued by the Federal Home Loan Bank System
4. The credit equivalent amount of interest rate contracts, interest-rate swaps and caps, where the counterparty is a Federal Home Loan Bank.

CCR440: General Obligations of State and Local Governments

Report the amount of securities and other general obligations issued by state and local governments.

CCR445: Claims on Domestic Depository Institutions

Include the following obligations of domestic depository institutions:

1. Demand deposits and other transaction accounts.
2. Savings deposits.
3. Time certificates.
4. Travelers' checks and other cash equivalents.
5. Cash items in the process of collection.
6. Federal funds sold.
7. Loans and overdrafts.
8. Debt securities.
9. The credit equivalent amount of interest and exchange rate contracts (interest-rate swaps and caps) where the counterparty is a domestic depository institution.

Do not include:

1. Investments in other depository institutions where those institutions may count the investments in their regulatory capital, such as capital stock, qualifying subordinated debt, etc. Report on CCR370, Assets Required to be Deducted.
2. Interest rate contracts with a FHLBank or a Federal Reserve Bank. Report on CCR435 and CCR450, respectively.

CCR450: Other

Report all twenty percent risk-weight assets, not included above, as defined in 12 CFR § 567.6(a)(1)(ii).

Include:

1. Assets conditionally guaranteed by the U.S. Government, such as VA and FHA insured mortgage loans, the guaranteed portion of SBA, FhmA, and AID loans, and FICO and REFCO bonds, etc.
2. Loans and other assets fully collateralized by deposits..
3. The credit equivalent amount of interest rate contracts (interest-rate swaps and caps) where the counterparty is a Federal Reserve Bank.
4. Assets collateralized by U.S. Government securities other than mortgage related securities on CCR430.
5. Securities issued by, or other direct claims on, U. S. Government-sponsored agencies, including notes issued by Fannie Mae and Freddie Mac. Do not include equity securities or MBSs.

CCR455: Total

The EFS software will compute this line as the sum of CCR430 through CCR450.

CCR45: 20% Risk-weight Total

The EFS software will compute this line as twenty percent times CCR455, the risk-weighted product of all 20 percent risk-weighted assets.

50% Risk weight

CCR460: Qualifying Single-family Residential Mortgage Loans

Report the carrying value, outstanding balance less all specific valuation allowances, of all qualifying single-family residential mortgage loans secured by a first lien when you have no other extensions of credit secured by a second lien on the same property to the same consumer, if such loans meet all of the following criteria:

1. You have prudently underwritten the loan.
2. The loan is performing and not more than 90 days past due.
3. One of the following is true:
    a. The loan-to-value ratio (LTV) does not exceed 90 percent at origination.
    b. The extension of credit is insured to at least a 90 percent LTV by private mortgage insurance, or there is other appropriate credit enhancement to bring the effective LTV down to 90 percent or less.
    c. The current loan-to-value ratio is less than 90 percent, calculated using value at origination, because the original loan has been paid down.

<u>Notes</u>:

1. See 12 CFR 567.1 for the definition of Qualifying Mortgage Loan.

2. <u>A loan over 90% LTV would not typically qualify for the 50% risk weight</u>. The Real Estate Lending Guidelines urge savings associations as well as other types of banking organizations, to require appropriate credit enhancement if a mortgage exceeds 90% LTV. See 12 CFR 560.101, and the footnote in the section on supervisory loan-to-value limits. While not prescribed by regulation, these guidelines constitute a supervisory presumption of safety and soundness. To overcome that presumption for a loan that exceeds 90% LTV, a bank or thrift must demonstrate to the examiners' satisfaction that the loan is both prudently underwritten, and that it qualifies for the 50% risk weight in spite of the absence of private mortgage insurance or other appropriate credit enhancement.

Also, report the combined carrying value of all mortgage and consumer loans secured by liens on the **same** one- to four-family residential property, with no intervening liens. For example, you hold extensions of credit secured by first lien and second lien positions. Include in 50 percent risk weighting, if the loan meets all the following criteria:

1. You have prudently underwritten each loan.
2. Each loan is performing and not more than 90 days past due.
3. One of the following is true:
   a. The combined loan-to-value ratio (CLTV) does not exceed 90 percent at origination.
   b. The combined extension of credit is insured to at least a 90 percent LTV ratio by private mortgage insurance, or there is other appropriate credit enhancement to bring the effective LTV down to 90 percent or less.
   c. The current combined LTV ratio is less than 90 percent, calculated using value at origination, because the borrower has paid down the combined loans.

When you hold the first lien and junior liens on a 1-to-4-family residential property and no other party holds an intervening lien, view the loans as a **single** extension of credit secured by a first lien on the underlying property. Use this treatment to determine the LTV ratio, as well as for risk weighting. Assign the combined loan amount to either the 50 percent or 100 percent risk category, depending on whether the credit satisfies the criteria for 50 percent risk weighting. In determining the LTV ratio, you must combine all loans secured by the same property regardless of whether you classify the loan as a mortgage or consumer loan in Schedule SC. You need not include loans classified in Schedule SC as commercial loans made to businesses and secured by residential property when you calculate the CLTV ratio for that property. You should risk weight such commercial loans at 100 percent.

If there is an intervening lien, do not combine the loans because another entity holds the second lien (the intervening lien). For example, you hold a first mortgage and third lien as a home equity line. In this case, you risk weight the carrying value of the loan secured by the first lien at 50 percent if the LTV is 80 percent or less and it otherwise meets the 50 percent risk-weight criteria. You risk weight the carrying value of the loan secured by the third lien at 100 percent, regardless of the CLTV.

In addition, include the following types of loans in the definition of single-family mortgage loans. These loans must meet the criteria above to be risk weighted at 50 percent:

1. Loans on interests in cooperative buildings.
2. Loans to individuals to fund the construction of their own home that meet the definition of a qualifying residential construction loan in 12 CFR § 567.1. You may include any accrued interest receivable in the loan balance.
3. Mortgage loans on mixed-use properties that are primarily single-family residential properties.

Do not include:

1. The combined carrying value of mortgage and consumer loans secured by first or second liens on the same property when the CLTV ratio exceeds 90 percent. Report the combined carrying value of these loans on CCR505, 100% Risk weight: All Other Assets.
2. The combined carrying value of mortgage and consumer loans secured by first and second liens on the same property if any of the extensions of credit are nonperforming (nonaccrual) or more than 90 days past due. Report on CCR505, 100% Risk weight: All Other Assets.
3. A loan to a consumer collateralized by a junior lien when another lender holds an intervening lien. For example, you hold the second lien and another lender holds the first lien, or you hold the first lien and the third lien, but do not hold the second lien (intervening lien). Report the junior lien on CCR505, 100% Risk weight: All Other Assets.
4. Foreclosed real estate. Report on CCR505, 100% Risk weight: All Other Assets.
5. Loans to individuals to construct their own home that are not qualifying residential construction loans as defined in 12 CFR § 567.1. Report on CCR505, 100% Risk weight: All Other Assets.

6. The portion of loans guaranteed by FHA that may be risk weighted at 20 percent. Report on CCR450.
7. Loans to commercial entities collateralized by mortgages of third-party borrowers (warehouse loans), or small business loans collateralized by a lien on a residential property. Report on CCR505, 100% Risk weight: All Other Assets.

CCR465: Qualifying Multifamily Residential Mortgage Loans

Qualifying Multifamily Mortgage Loans (12 CFR § 567.1) Under Current Rule

Report the carrying value plus accrued interest receivable, of permanent, first mortgages secured by first liens on multifamily residential properties consisting of five or more dwelling units that meet **all** the following criteria:

1. Amortization of principal and interest occurs over a period of not more than 30 years.
2. Original minimum maturity for repayment of principal on the loan is not less than seven years.
3. At the time you placed the loan in the 50 percent risk-weight category, the owner had made all principal and interest payments on the loan for the preceding year on a timely basis according to the loan terms (not 30 days or more past due).
4. The loan is performing and not 90 days or more past due.
5. You made the loan according to prudent underwriting standards.
6. The current outstanding loan balance does not exceed 80 percent (75 percent for variable rate loans) of the value of the property securing the loan. “Value of the property” (when you originate a loan to purchase a multifamily property) means the lower of either the purchase price or the amount of the initial appraisal, or if appropriate, the initial evaluation. Where a purchaser is not purchasing a multifamily property, but taking a new loan on his currently owned property, determine the value of the property by the most current appraisal, or if appropriate, the most current evaluation.
7. For the property’s most recent fiscal year, the ratio of annual net operating income generated by the property, before payment of any debt service on the loan, to annual debt service on the loan is not less than 120 percent, (115 percent for variable-rate loans). In the case of cooperative or other not-for-profit housing projects, the property generates sufficient cash flows to provide you comparable protection.

In cases where a borrower refinances a loan on an existing property, instead of complying with criteria (3) and (7) above, a loan may qualify by satisfying the following criteria:

1. For the preceding year, the owner made all principal and interest payments on the loan being refinanced on a timely basis, not 30 days or more past due, according to the loan terms.
2. The net income on the property for the preceding year would have supported timely payment of principal and interest on the new loan according to the applicable debt service requirement.

12 CFR § 567.1 defines residential property as houses, condominiums, cooperative units, and manufactured homes. This definition does not include hospitals and nursing homes. Manufactured homes are those subject to HUD regulations under Title VI of the U.S. Code.

Include mortgage loans on mixed-use properties that are primarily multifamily residential properties if they satisfy the criteria for qualifying multifamily mortgage loans.

Grandfathered Qualifying Multifamily Mortgage Loans

Qualifying multifamily mortgage loans include multifamily mortgage loans that on March 18, 1994, met the criteria of qualifying multifamily mortgage loans under our capital rule on March 17, 1994, and continue to meet those criteria, namely:

1. An existing property consisting of 5 to 36 dwelling units secures the mortgage.

2. The initial LTV ratio is not more than 80 percent.
3. For the past full year, the property's average annual occupancy rate is 80 percent or more of total units.

CCR470: Other MBS Backed by Qualifying Mortgage Loans

Report MBS, other than high quality MBS reported on CCR430, secured by **qualifying single-family** residential mortgage loans eligible to be reported on CCR460 or **qualifying multifamily** residential mortgage loans eligible to be reported on CCR465. Include POs secured by qualifying single-family or multifamily residential mortgage loans unless you can report them on CCR430.

If **qualifying multifamily residential mortgage loans** back the securities, you must receive timely payments of principal and interest according to the terms of the security. Generally, consider payments timely if they are not 30 days or more past due.

Note that if you have a subordinate class of an otherwise 50% risk-weight, high-quality MBS, you must gross up and risk weight your security plus the balance of all classes senior to it. However, if you are able to utilize the ratings based approach (12 CFR 567.6), it is not necessary to gross up the more senior positions. See also CC455, CC465, and CC468.

Also include asset-backed securities eligible for 50% risk weight under the ratings-based approach ("A" rated that meet all the criteria of the ratings based approach).

Do not include:

1. Interest Only Strips. Report credit-enhancing interest-only strips as residuals. Refer to the definitions in 12 CFR 567.1 and to the capital treatment in 12 CFR 567.6(b). See instructions for lines CCR133, CCR170, CCR375, CCR605, and SI402. Report IO and PO strips that are not credit enhancing of otherwise high quality MBS on CCR505, 100% risk weight.

CCR475: State and Local Revenue Bonds

Report securities issued by state and local governments where the revenues from a stated project such as a toll road repay the security.

CCR480: Other

Report all fifty-percent risk-weight assets not included above as defined in 12 CFR § 567.6(a)(1)(iii).

Include:

1. The credit equivalent amount of interest and exchange rate contracts (interest-rate swaps and caps) where the counterparty is an entity other than a domestic depository institution, a FHLBank, or a Federal Reserve Bank.
2. Revenue bonds issued by any public-sector entity in an OECD country that are payable solely from the revenues generated from the project financed through the issuance of the obligations.
3. Qualifying residential construction loans, also called residential bridge loans, meeting the criteria of 12 CFR § 567.1. Such loans must satisfy the following criteria:
   a. You must make the loan according to sound lending principles to a builder with at least 15 percent equity in the project (or higher, depending upon the risk of the project) who will construct a one- to four-family residence that, when sold, will be owner-occupied.
   b. You must obtain sufficient documentation from a permanent lender (that may be the construction lender) demonstrating all the following:
      i. The homebuyer intends to purchase the residence.

ii. The homebuyer has the ability to obtain a permanent qualifying mortgage loan sufficient to purchase the residence.

iii. The homebuyer has made a substantial earnest money deposit.

c. The construction loan must meet all the following requirements:

i. Not exceed 80 percent of the sales price of the residence.

ii. Be secured by a first lien on the lot, residence under construction, and other improvements.

iii. Be performing and not more than 90 days past due.

d. The home purchaser(s) must intend that the home will be owner-occupied and must not be a business entity or any entity that is purchasing the home(s) for speculative purposes.

e. You must retain sufficient undisbursed loan funds throughout the construction period to ensure project completion. The builder must incur a significant percentage of direct costs; for example, the actual costs of land, labor, and material, before he draws on the loan.

CCR485: Total

The EFS software will compute this line as the sum of CCR460 through CCR480.

CCR50: 50% Risk-weight Total

The EFS software will compute this line as 50 percent times CCR485, the risk-weighted product of all 50 percent risk-weight assets.

100% Risk weight

CCR505: All Other Assets

Report all other assets except those included above or in any other risk-weight category.

Include:

1. Consumer loans.
2. Commercial loans.
3. All assets that are nonperforming or more than 90 days past due, except FDIC covered assets. Report FDIC covered assets on CCR410, 0 % Risk weight.
4. All repossessed assets including repossessed real estate (REO), other repossessed assets, and equity investments that have the same characteristics as REO, for example stock from an REO workout firm that has been approved for inclusion in the 100% risk-weight category;
5. First and junior mortgages on one- to four-family dwelling unit properties that do not qualify for inclusion on CCR460 (50% Risk weight: Qualifying Single family Residential Mortgage Loans).
6. Multifamily mortgage loans that do not meet the qualifying criteria for inclusion on CCR465, 50% Risk weight: Qualifying Multifamily Residential Mortgage Loans.
7. Residential construction loans, except those to individuals to build their own homes that are reported on CCR460, and except qualifying residential construction loans (bridge loans) as defined in CCR480.
8. Nonresidential construction loans as defined in the instructions for SC260, Nonresidential Property.
9. Obligations issued by a state or political subdivision for the benefit of a private party or enterprise where that party or enterprise, rather than the issuing state or political subdivision, is responsible to pay principal and interest on the obligation (industrial development bonds).

10. Private-issue debt securities, including commercial paper, except those that may be reported in the 20 percent or 50 percent risk-weight categories.
11. Investments in fixed assets and premises.
12. Qualifying intangible assets reported on CCR220;
13. Servicing assets, less the amount included on CCR133.
14. The gross amount of wrap-around loans where you are liable on the first mortgage or must assume the first mortgage to perfect your position. Report the wrap-around loan net of the first mortgage if you have no liability on the first mortgage loan or obligation to assume it.
15. Equity investments that are permissible for both savings associations and national banks and including the following:
    a. Fannie Mae Stock.
    b. Freddie Mac Stock.
    c. Equity investments in unconsolidated subordinate organizations (those that do not qualify as subsidiaries under 12 CFR § 567.1) that engage solely in activities as agent for customers or engage as principal in activities permissible for national banks or otherwise are includable under § 5(t) of the HOLA.
    d. Real estate loans that are equity investments under GAAP and are includable under the Office of the Controller of the Currency's (OCC's) capital rule.
    e. Mutual funds and pass-through investments, defined in 12 CFR § 560.32, that invest in any of the above categories of permissible equity investments.
16. Loans to commercial entities collateralized by mortgages of third party borrowers (warehouse loans).
17. Asset-backed securities eligible for 100% risk weight under the ratings-based approach ("BBB"-rated that meet all the criteria of the ratings based approach).
18. Assets or risk exposures that receive a 200% risk weight under the ratings-based approach. To report these on this line, you must first multiply the balance by 2 (two). Only a limited set of asset-backed securities and other exposures arising from securitization activities qualify for this risk weighting, and these must meet the requirements of the ratings based approach. Refer to 12 CFR 567.6(b)(3).
19. Interest-only (IO) and principal only (PO) stripped securities that are not credit-enhancing. This category includes most IOs and POs issued by Fannie Mae and Freddie Mac.
20. Any other remaining assets that are not deducted from capital on CCR 133 or CCR 375; or are not "super risk-weighted" using CCR 605 and CCR 62.

CCR510: Total

The EFS software will bring forward the amount entered on CCR505.

CCR55: 100% Risk-weight Total

The EFS software will compute this line as 100 percent times CCR510, the risk-weighted product of all 100 percent risk-weight assets.

CONVERSION OF OFF-BALANCE-SHEET ITEMS TO ON-BALANCE-SHEET EQUIVALENTS

Include off-balance-sheet items in the total risk-based capital standard after converting them into on-balance-sheet equivalents. Convert off-balance-sheet items to on-balance-sheet equivalents by taking the dollar amount of the off-balance-sheet item and multiplying it by the appropriate credit conversion factor from the table below.

SC690, Other Assets, and SC796, Other Liabilities and Deferred Income, include the fair value of derivative instruments accounted for under FASB Statement No. 133. We treat on-balance-sheet derivative instruments used for risk management purposes, rather than for trading, as off-balance-sheet items for risk-based capital purposes. Accordingly, you should risk weight only the converted on-balance-sheet equivalent amounts, not the amounts reported on SC690 and SC796.

Place the on-balance-sheet equivalents (converted off-balance-sheet items) in the appropriate risk-weight category just as any other on-balance-sheet assets. For example, place an off-balance-sheet letter of credit in the same risk-weight category as the loan would be upon execution of the letter of credit.

Loans in Process (Undisbursed Loan Balances)

You may convert all LIP that meets the following criteria at a zero percent conversion factor. In other words, you do not risk weight it.

1. LIP that contractually must be fully disbursed or expire in one year or less under the original terms of the contract.
2. LIP that you may disburse over a period of time exceeding one year and that meets both of the following criteria:
   a. You may unconditionally cancel the agreement.
   b. You make a separate credit decision before each draw.

Convert all LIP that does not meet the criteria in #1 or #2 above at a 50 percent conversion factor and place in the risk-weight category appropriate for the related loan, except as follows:

1. When the borrower pays interest on the full amount of the loan, including both the disbursed and undisbursed portions, you must convert the LIP to an on-balance-sheet equivalent at a 100 percent credit conversion factor.
2. When the LIP is a direct credit substitute, you must convert it to an on-balance-sheet equivalent at a 100 percent credit conversion factor.

Table of Conversion Factors for Off-Balance-Sheet Items

This calculation translates the face amount of an off-balance-sheet exposure into an on-balance-sheet credit equivalent amount.

4. Structured borrowings. Report on Supplemental Reporting of Market Value Estimates, see below.
5. Variable-rate, fixed maturity borrowings. Report on Supplemental Reporting for Assets and Liabilities.

Distribute amortizing instruments across remaining maturity columns, in the appropriate coupon class, according to their contractual principal repayment schedules. For example, a $120,000 note, with an APY of 9.5 percent and remaining maturity of ten years, amortizes as follows:

1. $3,000 in the next three months.
2. $33,000 in months four through 36.
3. $84,000 in the last 84 months.

You would report the note on CMR695, CMR696, and CMR697 as $3,000, $33,000, and $84,000, respectively.

Structured Borrowings

For the purpose of these instructions, structured borrowings include borrowings or FHLB advances with embedded options or derivative-like features where the borrowings' coupon, average life, or redemption value is dependent on a reference rate, and index, or a formula. The term ***structured borrowings*** includes, but is not limited to, putable or callable borrowings, variable-rate borrowings with embedded caps, floors or collars, step-up variable rate borrowings, or amortizing borrowings.

OTS requires **all** institutions to report the market value of each structured borrowing in Supplemental Reporting of Market Value Estimates. Refer to the Supplemental Reporting of Market Value Estimates sections of these instructions for guidance on reporting market value estimates.

CMR678, CMR682, CMR686, CMR690, CMR694, CMR698, CMR702, CMR706: WAC

Report the **weighted-average coupon** (WAC) of the balances reported in each coupon class. To calculate the WAC, first determine the APYs of borrowings that you report in each coupon class. For instance, for the 5.00 to 5.99 percent class, determine the APYs of borrowings reported on CMR679 through CMR681. Second, for each coupon class, use these yields to calculate the WAC, as described in the general instructions to Schedule CMR.

CMR711 through CMR713: WARM

Report the **weighted average remaining maturity** (WARM) for each remaining maturity column. To calculate the WARM, first determine the remaining maturity of each of the borrowings that you report in each remaining maturity class. For example, for the 0 to 3 months column, determine the remaining maturity of borrowings on CMR675, CMR679, CMR683, CMR687, CMR691, CMR695, CMR699, and CMR703. Second, for each remaining maturity class, use these remaining maturities to calculate the WARM, as described in the general instructions to Schedule CMR.

CMR715: Total Fixed-Rate, Fixed-Maturity Borrowings

The EFS software automatically computes this line as the sum of CMR675 through CMR677, CMR679 through CMR681, CMR683 through CMR685, CMR687 through CMR689, CMR691 through CMR693, CMR695 through CMR697, CMR699 through CMR701, and CMR703 through CMR705.

Memo:

CMR755: Book Value of Redeemable Preferred Stock

Report the book value of redeemable preferred stock of the type reported on SC799.

NONMATURITY DEPOSITS

CMR762 through CMR763: Transaction Accounts

12 CFR § 561.29 defines transaction accounts and they include NOW, Super NOW, and other interest-bearing transaction accounts. Report total balances of all interest-bearing transaction accounts on CMR762.

Report the WAC for total interest-bearing transaction account balances on CMR763. Determine the APYs of balances on CMR762. Use these to calculate the weighted-average APY in the same manner as the WAC computation described in the general instructions to Schedule CMR, and report it on CMR763.

CMR764: Balances in New Accounts

Balances in New Accounts are end-of-quarter balances in accounts where holders had no transaction accounts with you at the end of the prior quarter.

Also include as *new accounts*:

1. Accounts where there has been a name added or deleted.
2. Deposits acquired from an acquisition of a depository institution or its branches or from other bulk purchase of deposits.

CMR765 through CMR766: Money Market Deposit Accounts

12 CFR § 561.28 or applicable state law defines money market deposit accounts (MMDAs). Report total balances of MMDAs on CMR765.

Report the WAC for MMDA balances on CMR766. Determine the APYs of balances on CMR765. Use these to calculate the weighted-average APY, in the same manner as the WAC computation described in the general instructions to Schedule CMR. Report the result on CMR766.

CMR767: Balances in New Accounts

Balances in New Accounts are end-of-quarter balances in accounts whose holders had no MMDA with you at the end of the prior quarter.

Also include as *new accounts*:

1. Accounts where there has been a name added or deleted.
2. Deposits acquired from an acquisition of a depository institution or its branches or from other bulk purchase of deposits.

CMR768 through CMR769: Passbook Accounts

Passbook accounts consist of all nonmaturity deposits not on CMR762, CMR765, and CMR771. Report total balances of Passbook Accounts on CMR768.

Report the WAC for passbook accounts balances on CMR769. Determine the APYs of balances on CMR768. Use these to calculate the weighted-average APY, in the same manner as the WAC computation described in the general instructions to Schedule CMR. Report the result on CMR769.

CMR770: Balances in New Accounts

Balances in New Accounts are end-of-quarter balances in accounts where holders had no passbook accounts with you at the end of the prior quarter.

Also include as *new accounts*:

1. Accounts where there has been a name added or deleted.
2. Deposits acquired from an acquisition of a depository institution or its branches or from other bulk purchase of deposits.